

Message Text

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ACTION XMB-04

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FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 OPIC-03
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R 301300Z AUG 78
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC 5860

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PLEASE PASS EXIMBANK AND MAJOR BRISBANE, FESA/OD, FT BELVOIR, VA.

E.O. 11652: N/A
TAGS: EFIN, ENRG, DR
SUBJECT: CDE DEBT/PROCUREMENT STATUS

1. E/C COUNS CALLED ON ING. GUILLERMO PANIAGUA, NEW ADMINISTRATOR GENERAL OF CDE (THE DOMINICAN ELECTRICITY CORPORATION), TO REVIEW ITS DEBT ARREARAGES TO EXIMBANK, PRIVATE U.S. COMMERCIAL BANKS, AND INDIVIDUAL U.S. SUPPLIER COMPANIES.

2. PANIAGU (AND THE ENTIRE GUZMAN ECONOMIC TEAM) ARE KEENLY AWARE OF THE IMPORTANCE OF CLEARING UP CDE'S DEBT TO EXIMBANK, AS WELL AS EXIM-GUARANTEED LOANS BY PRIVATE U.S. BANKS, ON A PRIORITY BASIS. HE HAS HIRED A FORMER CHASE MANHATTAN BANK EMPLOYEE (WELL AND FAVORABLY KNOWN TO THE EMBASSY) AS HIS ECONOMIC ADVISOR TO HELP HIM DESIGN AND NEGOTIATE RE-FINANCING PACKAGES WITH VARIOUS PRIVATE U.S. BANKS. THESE PACKAGES WILL INCLUDE FUNDS WITH WHICH CDE CAN ALSO PAY ITS OVERDUE BILLS FROM U.S. SUPPLIERS.

3. PRESIDENT GUZMAN HAS APPOINTED A COMMISSION HEADED BY THE GOVERNOR OF THE CENTRAL BANK (EDUARDO FERNANDEZ), AND ALSO INCLUDING SECRETARY OF FINANCE JOSE CABRAL AND TECHNICAL SECRETARY
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TO THE PRESIDENCY, LEOPOLDO ESPAILLAT, TO REVIEW CDE'S FINANCIAL SITUATION AND MAKE RECOMMENDATIONS.

4. PANIAGUA INDICATED HIS INTENTION TO PROCEED WITH THE FIAT GAS TURBINE CONTRACT AWARDED LAST YEAR AND WITH THE TWO THERMO PLANTS TO BE BUILT BY GENERAL ELECTRIC AND MACHINISTA OF SPAIN. WORK IS ALSO PROCEEDING ON MOVING THE VIRGIN ISLANDS POWER PLANT,

ALTHOUGH THE JOB IS NOW EXPECTED TO TAKE 30 MONTHS INSTEAD OF 18.

5. PANIAGUA MENTIONED THAT THE WESTINGHOUSE GAS TURBINE PLANT IN SAN PEDRO DE MACORIS BROKE DOWN, AND THAT THE POWER SITUATION IN THE EASTERN PART OF THE COUNTRY WILL BE POOR UNTIL THIS UNIT IS REPAIRED. ESTIMATED COST OF REPAIRS: \$800,000. TIME REQUIRED: THREE-FIVE MONTHS. HE ASKED WHETHER USG COULD PROVIDE ANOTHER POWER BARGE OF 20-30MW TO TIDE THEM OVER FOR THE NEXT SIX MONTHS. E/C COUNS INDICATED THAT EVEN IF ANOTHER POWER BARGE WERE AVAILABLE, IT IS UNLIKELY THAT IT COULD ARRIVE IN TIME TO MEET SHORT-TERM REQUIREMENTS. EMBASSY UNDERSTANDS MAJOR BRISBINE WILL VISIT DR EARLY SEPTEMBER TO INSPECT POWER BARGE WEBER. IT WOULD BE HELPFUL IF MAJOR BRISBINE COULD MEET WITH PANIAGUA TO DISCUSS POWER BARGE SITUATION (WE UNDERSTAND THERE IS NOT ANOTHER POWER BARGE AVAILABLE) AS WELL AS POSSIBLE AVAILABILITY FOR SALE OF SMALLER (5 KW) PACKAGE UNITS.

6. E/C COUNS LATER MET WITH VISITING WESTINGHOUSE REP GIL TUPPER AND ADVISED HIM OF CDE'S DESIRE (AND LACK OF FUNDS) TO REPAIR WESTINGHOUSE UNIT. HE IS CONSIDERING AN OFFER TO CDE TO PROVIDE A LARGER, MORE EFFICIENT UNIT IN PLACE OF THE FIAT UNIT, AND TO REPAIR THE SAN PEDRO UNIT AT NO CHARGE. IF SUCCESSFUL, THIS WOULD TURN A LOST \$4 MILLION CONTRACT INTO A WON \$9 MILLION DEAL. IT WOULD ALSO ADD TO THE CONSIDERABLE PRESSURE ON CDE TO BECOME CURRENT WITH EXIMBANK.

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7. COMMENT: EMBASSY IS IMPRESSED WITH DETERMINATION OF NEW CDE MANAGEMENT TO RESOLVE ITS FINANCIAL DIFFICULTIES, AS WELL AS HIGH-LEVEL ATTENTION BEING GIVEN TO CDE'S PROBLEMS BY GUZMAN ADMINISTRATION. LIKE EACH OF THE CDE ADMINISTRATORS BEFORE HIM, PANIAGUA FINDS THE MESS HE INHERITED INCREDIBLE. UNLIKE HIS PREDECESSORS, HE IS DETERMINED TO DO SOMETHING ABOUT IT. WE EXPECT TO SEE THE START OF POSITIVE RESULTS WITHIN THIRTY DAYS.
YOST

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